

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

UNCLAS STATE 107202

E.O. 11652: N/A

TAGS: EFIN

SUBJ: P.T. UNITED COCONUT

PLEASE PASS LEO NIELSON, ON TDY FROM OPIC

1. FOLLOWING LETTER WAS RECEIVED BY OPIC TODAY FROM LEN JORDAN:

QUOTE - MAY 20, 1974, MR. PAUL J. MULLER, TREASURER, OVERSEAS
PRIVATE INVESTMENT CORPORATION, 1129 - 20TH STREET, N.W.,
WASHINGTON, D.C. 20527, DEAR MR. MULLER:

I AM FRANKLY SHOCKED AT THE DEMANDS BEING MADE ON UNITED
COCONUT CORPORATION REGARDING THE MARKETING AGREEMENT DURING
THE CURRENT DISCUSSIONS IN SINGAPORE.

DURING MY VISIT TO YOUR OFFICES SOME WEEKS AGO, I WENT INTO
SOME DETAIL TO EXPLAIN THE MANY ASPECTS OF MARKETING DESICCATED
COCONUT AND POINTED OUT THAT THE PROPOSED CHANGE TO A COMMISSION
OR DISCOUNT FROM WORLD PRICES IS INFINITELY MORE FAVORABLE TO
THE INDONESIAN ENTITY THAN THE PRESENT MARKETING AGREEMENT.
I AM NOW INFORMED THAT DEMANDS HAVE BEEN MADE TO REDUCE THE
TERM OF THE AGREEMENT TO FIVE YEARS (WE PROPOSED TEN INSTEAD
OF FIFTEEN), AND SET THE COMMISSION AT EIGHT TO TEN PERCENT
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INSTEAD OF OUR PROPOSED SEVENTEEN PERCENT.

THERE APPEARS TO BE A 'MISTAKEN' NOTION THAT THIS COMMISSION OR DISCOUNT MEANS A GUARANTEED PROFIT FOR UNITED COCONUT CORPORATION. NOTHING IS FURTHER FROM THE TRUTH. CONSUMERS TRADITIONALLY BOOK FIRM ON UPWARD PRICE MOVEMENTS AND ARE PROTECTED AGAINST DECLINE ON DOWNWARD MOVEMENTS. THUS, THE RISK OF MARKET FLUCTUATIONS IS ALL UCC. EQUALLY APPALLING IS THE REQUEST THAT UNITED COCONUT CORPORATION PLACE \$100,000 IN ESCROW IN INDONESIA "TO GUARANTEE THE MARKETING AGREEMENT". THERE IS NO LOGICAL JUSTIFICATION FOR THIS REQUEST. OUR BUSINESS AND LIFEBLOOD IS THE MARKETING OF DESICCATED COCONUT.

BASED ON THE FACTS THAT HAVE BEEN MADE KNOWN, IT SEEMS TO ME THAT OPIC SHOULD BE CONCERNED THAT THE INDONESIAN ENTITY FAITHFULLY PERFORMS THE MARKETING AGREEMENT, AND OPIC SHOULD ACTIVELY SUPPORT A REALISTIC AND FAIR AGREEMENT TAKING INTO ACCOUNT UCC OBLIGATIONS TO PURCHASE THE ENTIRE OUTPUT OF THE PLANT.

SINCERELY YOURS, L.H. JORDAN UNQUOTE.

2. HAVE NO BACKGROUND ON JAKARTA DISCUSSIONS ON WHICH TO ASSESS FOREGOING. MULLER NOW ON TDY IN AFRICA.

3. PLEASE ADVISE PROGRESS COCONUT NEGOTIATIONS.
RUSH

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To: JAKARTA
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